



Bob Nardelli
Chairman & CEO

February 17, 2009

The Honorable Timothy Geithner
Secretary of Treasury
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

Thank you for the opportunity to continue the process of requesting Federal loans to assist Chrysler LLC in the restructuring necessary to achieve long-term viability. In addition to the Federal loan support, there are two critical requirements for Chrysler's viability.

First, credit must become more readily available to our customers and dealers. As I stated in my testimony to Congress, the ongoing financial crisis has prevented interested customers from purchasing new vehicles, and has prevented dealers from securing financing necessary to support continued wholesale orders. Chrysler Financial received a U.S. Treasury loan of \$1.5 billion in mid January, 2009 to support retail financing through March 31, 2009. However, this is not a long-term solution. Because of the continued lack of liquidity in the credit markets, several follow-on proposals have been submitted for a long-term solution to ensure financing capacity for Chrysler Financial. It is critical that these requests be resolved, as adequate retail and wholesale financing capacity for Chrysler Financial is a requirement for Chrysler's viability.

Second, it is absolutely critical that each of our constituents make significant sacrifice to accomplish our restructuring plan, including our creditor groups, shareholders, suppliers, dealers, the UAW, and of course our own employees. In addition, we require a restructuring of our liabilities to serviceable levels. We recognize without these shared sacrifices from all of our constituencies we will not be viable.

The term sheets for the Labor Modifications and VEBA modifications fundamentally comply with the requirements set forth in the U.S. Treasury Loan and once realized, would provide Chrysler with a workforce cost structure that is competitive with the transplant automotive manufacturers. The VEBA modifications term sheet however, is conditioned on, among other things, further due diligence and satisfactory debt restructuring. Chrysler will continue to work diligently with its labor unions and retirees' class counsel in structuring and negotiating

concessions necessary to the Company's continued viability and looks forward to the assistance of the U.S. Treasury in that effort.

The attached restructuring plan submission is a follow-up to our original request of December 2, 2008 for a \$7 billion working capital loan. After thorough review and due diligence by the previous Administration, the U.S. Treasury loaned Chrysler \$4 billion of the original \$7 billion request on January 2, 2009. These funds have been essential to Chrysler's viability in the face of the continuing crisis in the credit markets, providing support for ongoing operations and payments to our suppliers, employees, health-care providers and for our continued investment in fuel-efficient technologies that support our country's energy security and environmental sustainability objectives.

We fully understand the need to adapt to new market realities and to the national concerns over energy security and climate change. Since becoming an independent U.S. auto company on August 3, 2007, Chrysler has:

- Aggressively restructured operations to significantly improve cost competitiveness while steadily improving quality and productivity. Through year end 2008, Chrysler has:
 - Reduced its workforce by 32,000 (a 37% reduction since January, 2007)
 - Eliminated 12 production shifts
 - Eliminated 1.2 million units (>30%) of production capacity
 - Discontinued 4 vehicle models
 - Disposed of \$700 million in non-earning assets
 - Improved manufacturing productivity to equal that of Toyota as the best in the industry as measured by assembly hours per vehicle according to the Harbour Report
 - Achieved lowest warranty claim rate in Chrysler's history
 - Recorded the fewest product recalls among leading automakers in 2008
- Improved the fuel efficiency of 73% of Chrysler's 2009 model year products, and announced electric technology as a primary strategy for developing fuel-efficient, low emission vehicles, including an electric-drive vehicle in the U.S. market by 2010. Chrysler is committed to meeting current CAFE requirements. The viability plan shows compliance with federal fuel economy requirements as set forth in the Energy Independence and Security Act of 2007. Going forward, Chrysler supports the development of a uniform national standard that reflects the input of all constituents.
- Reinvented its business model by developing strategic product alliances, including the potential global alliance with Fiat. An alliance with Fiat would enhance Chrysler's long-term viability through access to additional small vehicles, fuel-efficient engines and powertrain technologies, a global distribution network, and purchasing synergies.

Due to the continued lack of consumer credit as highlighted above, we are revising our SAAR forecast over the next four years. Our restructuring plan is conservatively based, and reflects the reality of a declining automotive industry. Therefore, we project, commencing in 2009, a SAAR level of 10.1 million units, and for years 2009 through 2012 an average SAAR level of 10.8 million units. This is a reduction from our original December submission of 7.2 million units, or on average 1.8 million units annually during the four years. For Chrysler, this

represents a sales decline of approximately 720,000 units (or an average 180,000 units per year) assuming a 10% market share, which results in approximately \$18 billion in lost revenue and a \$3.6 billion decline in cash inflows during the four years. To continue an orderly and effective restructuring, Chrysler will require incremental financial support.

In addition to the original \$7 billion, \$4 billion of which has been received, Chrysler is requesting an additional \$2 billion, for a total of \$9 billion, to support ongoing operations due to the continued deterioration in the economy, which has led to an unprecedented decline in the automotive sector since our December 2nd plan submission.

We believe that Chrysler can be viable and play a vital role in supporting the recovery of the U.S. economy while preserving American jobs. Our plan shows a positive net present value of \$17.3 billion, and a cumulative EBITDA of \$35.6 billion over eight years. We further believe that our continued orderly restructuring, together with the completion of our stand alone viability plan, enhanced by a strategic alliance with Fiat, is the best option for Chrysler employees, dealers, suppliers, customers and the U.S. taxpayers. Our viability plan demonstrates that Chrysler will repay the U.S. Government loans in full beginning in 2012.

We believe this plan will ensure the continued provision of health care and pension benefits to our active employees and retirees, while continuing to protect hundreds of thousands of middle class, quality American jobs at Chrysler, our dealer network and our suppliers. This is why Chrysler is requesting \$5 billion - \$3 billion from the original submission, and an incremental \$2 billion of additional support given the fall-off in the industry since December.

Chrysler is the quintessential American car company: 73% of our sales, 61% of vehicle production, 74% of employees, 78% of purchased materials and 62% of dealers are based in the U.S. During our 84-year history, Chrysler has been knocked down before but has always stood up to historical challenges, thanks to the incredible passion of our employees, the loyalty of our dealers, the commitment of our suppliers, and the encouragement of our customers. Today, the extended Chrysler family is eager to re-establish the Company as an iconic American company and in the process repay the U.S. Government and taxpayers for their faith in our future.

Given the current economic downturn, a failure of Chrysler would be a severe setback for the U.S. economy and hinder efforts to restore confidence and revive growth. We believe the requested working capital loan is the least-costly alternative available to us. It will help provide an important stimulus to the U.S. economy and will deliver positive results for American taxpayers.

Sincerely,

Robert I. Nardella